NCA
VOC FOR IOP/FN
NEWS ANALYSIS NO. 1-9916 JANUARY 7, 1975
FRANK M. FEINBERG

STEADY GAINS SEEN FOR U.S. ECONOMY IN '76

ANNCR:

INDICATIONS ARE THAT THE U.S. ECONOMY WILL EXPAND THROUGHOUT 1976, WITH SUBSTANTIAL IMPROVEMENT OVER THE PAST YEAR. VOA BUSINESS EDITOR FRANK FEINBERG ANALYZES THE ECONOMIC OUTLOOK:

VOICE:

A MODERATE BUT STEADY GROWTH IN THE U.S. ECONOMY, WITH MANAGEABLE INFLATION. THAT'S THE CONSENSUS OF MOST FORECASTERS. THE ECONOMISTS, BUSINESS EXECUTIVES, GOVERNMENT OFFICIALS, OTHERS WHO INTERPRET ECONOMIC TRENDS SEE THIS YEAR NOT AS AN ALL-OUT BOOM YEAR, BUT NEVERTHELESS, ONE OF GENERALLY STEADY IMPROVEMENT AT THE NATION'S FACTORIES, FARMS, OFFICES, STORES AND CONSTRUCTION SITES.

THE NEW YEAR IS EXPECTED TO BRING A SIX PERCENT GAIN IN THE GROSS NATIONAL PRODUCT -- THE SUM TOTAL OF GOODS AND SERVICES. AND THIS GAIN, IF THE FORECASTS PROVE CORRECT, WILL BE ATTAINED WITH LIVING COSTS RISING LESS RAPIDLY THAN IN EITHER OF THE PAST TWO YEARS.

FORECASTERS IN THE PAST SEVERAL YEARS HAVE BEEN MADE KEENLY AWARE OF THE PERILS IN PREDICTING THE ECONOMY'S FUTURE STATUS. HOWEVER, AS FAR AS STATISTICS, AND COMPUTERS CAN BE COMBINED WITH HUMAN LOGIC AND INTUITION, THE OUTLOOK FOR 1976 APPEARS TO BE FOR THE FIRST FULL YEAR OF U.S. ECONOMIC RECOVERY AFTER AN EIGHTEEN-MONTH RECESSION.

THERE IS DEFINITIVE EVIDENCE TO SUPPORT THIS CONCLUSION. THE AUTOMOBILE INDUSTRY IS SHOWING A RESURGENCE. ANALYSTS

SEE AUTO SALES INCREASING FROM THE EIGHT-POINT-SIX MILLION LAST YEAR TO MORE THAN TEN MILLION UNITS THIS YEAR.

STEEL OUTPUT IN THE UNITED STATES ROSE AGAIN AS THE YEAR BEGAN AND THIS KEY INDUSTRY ESTIMATES SHIPMENTS SHOULD BE UP TWENTY PERCENT FROM LAST YEAR -- TO NINETY-FIVE MILLION METRIC TONS OR MORE BY YEAR'S END. THERE ARE RISING ORDERS FROM THE AUTOMOBILE INDUSTRY, AND EXPECTATIONS THAT CONSUMER DEMAND FOR HOME APPLIANCES AND OTHER GOODS WILL BE CONSIDERABLY BETTER THAN IN 1975.

INCREASED CONSUMER SPENDING IS EVIDENT IN THE SIZEABLE SALES GAINS REGISTERED BY THE NATION'S LEADING CHAIN STORES. (OPT) SEARS, ROEBUCK SALES IN DECEMBER WERE THE HIGHEST FOR ANY FOUR-WEEK PERIOD IN ITS HISTORY--MORE THAN ONE AND THREE-QUARTER THOUSAND MILLION DOLLARS. WOOLWORTH, MONTGOMERY WARD AND OTHER MERCHANDISING FIRMS LIKEWISE ENJOYED RECORD SALES LAST MONTH. (END OPT) AS CONSUMER CONFIDENCE IN THE U.S. ECONOMY INCREASES, STEPPED UP PURCHASES RESULT. THIS STIMULUS FROM THE AMERICAN CONSUMER IS COUNTED ON TO PROVIDE THE MAIN THRUST FOR ECONOMIC EXPANSION.

SLUGGISH HOME BUILDING HAS RETARDED ECONOMIC RECOVERY. BUT THIS IS IMPROVING. THE FORECAST IS FOR ONE AND ONE-HALF MILLION NEW HOUSING UNITS THIS YEAR, TWENTY-FIVE PERCENT MORE THAN LAST YEAR. (OPT) THESE HOMES WILL BE OUTFITTED WITH FURNITURE, APPLIANCES, DRAPERY AND CARPETS--ALL BENEFICIAL TO THE U.S. ECONOMY. (END OPT)

CONSUMER INCOME SHOULD RISE THIS YEAR, WITH A PREDICTED SLOWDOWN IN THE RATE OF INFLATION TO SIX PERCENT, OR LESS. BUT THE UNEMPLOYMENT RATE REMAINS A SERIOUS CHALLENGE. AS THE ECONOMY IMPROVES, UNEMPLOYMENT SHOULD DECLINE THROUGH THE

YEAR -- TO ABOUT SEVEN PERCENT AS COMPARED TO EIGHT AND ONE-HALF PERCENT LAST YEAR. HOWEVER, EVEN THOUGH MORE THAN EIGHTY-FIVE MILLION AMERICANS ARE GAINFULLY EMPLOYED, THE UNEMPLOYMENT RATE IS RELATIVELY HIGH FOR THE UNITED STATES.

THE PERFORMANCE OF THE NEW YORK STOCK EXCHANGE DOES NOT ALWAYS COINCIDE WITH THE OVERALL U.S. ECONOMIC POSTURE. BUT STOCK PRICES ARE RECOGNIZED AS AN IMPORTANT BAROMETER OF INVESTOR CONFIDENCE IN THE ECONOMY. AND IN TRADING SESSIONS THIS WEEK--THE FIRST OF THE NEW YEAR--BOTH PRICES OF STOCKS AND THE VOLUME PURCHASED HAVE SOARED. THE MARKET INDEX HAS GAINED MORE THAN FORTY POINTS. INVESTORS OBVIOUSLY ARE ENCOURAGED ABOUT THE ECONOMY'S PROSPECTS IN 1976.

THE ECONOMIC RECOVERY IN THE UNITED STATES, UNDERWAY SINCE LAST APRIL, HAS PROVED SOMEWHAT FASTER THAN ORIGINALLY ANTICIPATED. NOW, IT REMAINS TO BE SEEN IF THE PACE OF RECOVERY WILL CONTINUE.

-0-

GH/CAK/